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5

6 **UNITED STATES BANKRUPTCY COURT**
7 **EASTERN DISTRICT OF CALIFORNIA**

8 In re:

9 **Satinder Singh** Case No. 23-22540-E-13 C

10 **APPLICATION FOR**
11 **PAYMENT OF FUNDS**
12 **And Memo of Points & Authorities**

13 **11 U.S.C. §349; Local General Order 2401**

14 Docket Control # **JJF-02**

15 Date: January 14, 2025

16 Time: 1:30 pm.

17 Judge: Hon. Ronald H. Sargis

18 Location: 501 I Street
6th Floor, Dept. E, Courtroom 33
Sacramento, CA 95814

19 **APPLICATION FOR PAYMENT OF FUNDS**

20
21 Placerville Investment Group, LLC ("Creditor" and "Placerville"), which holds a
22 secured claim against the above-captioned estate of Satinder Singh (the
23 "Debtor"), hereby moves the court for an order for payment of Funds held by the
24 Clerk of the Court. In support of this Application, Creditor respectfully
25 represents as follows:
26

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1 Creditor has under separate cover submitted "APPLICATION FOR PAYMENT
2 OF UNCLAIMED FUNDS" with REQUEST FOR PAYEE INFORMATION
3 AND TIN CERTIFICATION to the Finance Department of this Court.

4 This court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334(b).
5 This is a core proceeding under 28 U.S.C. § 157(b)(2)(A). Venue is proper in this
6 court pursuant to 28 U.S.C. § 1409(a). This motion is brought under 11 U.S.C.
7 §349 and Local General Order 2401.

8

9 **I. BACKGROUND**

10 **A. Creditor's Claims Against the Debtor and Sonia Madaan.**

11 By way of two loan transactions, the Debtor borrowed the total amount of
12 \$300,000.00 from Creditor, where the Debtor represented that the loan proceeds
13 were to be used for meeting operational costs of operating a convenience and
14 liquor store in Wheatland, California (the "Business"). Creditor
15 contemporaneously filed UCC-1 Financing Statements that describe the
16 collateral as essentially all assets of the Business, consisting of inventory, good
17 will, and furniture, fixtures and equipment (the "Collateral"). See Declaration of
18 Dalip Gupta ("Decl. Gupta"), submitted herewith, ¶¶ 4-5, Exhs. A, B, C (copies
19 of relevant loan documentation).

20 The Debtor's obligations under the Notes were guaranteed by Sonia Madaan
21 ("Madaan"). The Debtor quickly became delinquent on monthly payments
22 under the Notes, and some payments were made by checks that were
23 dishonored by the bank. On July 18, 2023, the Superior Court awarded Creditor
24 a default judgment against the Debtor and Madaan (as guarantor of the
25 Debtor's obligations under the Notes) in the amount of \$293,888.48, plus the
26 actual costs of foreclosure and sale (the "Judgment"). (See id. ¶¶ 6-7, Exh. D

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1 (copy of judgment)). The Debtor's chapter 13 case, and Madaan's separate
2 Chapter 7 Case, have of course served to prevent Creditor from resorting to its
3 state-court rights to recover the significant amount owed.

4

5 Creditor has received no payment whatever from the Debtor or Madaan since
6 January 2023. During this period, the Debtor and Madaan have continued to
7 use the Collateral to operate the Business and derive income therefrom, without
8 making any report to Creditor regarding the level of inventory on hand or the
9 status or condition of the Collateral. (Decl. Gupta ¶ 8.)

10

11 **II. REQUEST FOR RELIEF**

12 Creditor seeks payment of unclaimed funds held by the Clerk derived from
13 Ch. 13 payments from the debtor.

14

15 **III. POINT & AUTHORITIES**

16

17 **A. The Bankruptcy Code Permits the Court to**
Award the Funds for Cause

18

19 The Bankruptcy Code § 349(b)(3) provides that:

20

21 “(b) Unless the court, for cause, orders otherwise, a dismissal of a case
other than under section 742 of this title--

22

23 (3) revests the property of the estate in the entity in which such property
was vested immediately before the commencement of the case under this
24 title.” 11 U.S.C.A. § 349.

25

26

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1 The Court has discretion to order otherwise. Here, good cause exists because
2 these funds were, and are, subject to Movant Placerville's security interest.
3

4 "The bankruptcy court has a duty to make sure that unclaimed funds are
5 paid to the proper party. *In re Scott, 346 B.R. 557, 558*
6 *Bankr.N.D.Ga.2006*) (citation omitted). When a claimant submits an
7 application for payment of unclaimed funds on account of a secured claim,
8 the court must make a determination that the claimant is not only the
9 proper party to make the claim, but that the claimant is also entitled to
10 the funds. The burden of proving an entity's entitlement to unclaimed
11 funds rests with the applicant. (*In re Acker, 275 B.R. 143, 144*
12 *(Bankr.D.D.C.2002*) (citation omitted)." *In re Pena, 456 B.R. 451, 453*
13 *(Bankr. E.D. Cal. 2011)*)
14

B. The Funds Are Subject to the Placerville's Lien

15 Placerville has a Judgment against the debtor, secured by a Security
16 Agreement and UCC-1 Financing Statement filed with the State of California
17 Office of the Secretary of State on April 22, 2022; naming as Debtor Wheatland
18 99 Cent & Liquor Store and Satinder Singh, and constituting a lien on the
19 debtor's property. (Decl. Gupta, ¶ 5, 7.)
20

21 As described in the UCC-1 and security agreement, the business "Inventory,
22 Goodwill, FF&E all related to the business," are collateral security. (Ex. C)
23

24 Satinder Singh's Amended Schedule I (Ex. E; Doc 227) describes himself as
25 self-employed owner of this store (Part 1, para. 1). He lists no monthly salary,
26 wages, or commission (Part 2, 2-4.) the ONLY income scheduled is

1 "8a. Net income from rental property and from operating a business,
2 profession, or farm ... \$6449.00."

4 The funds held by the Court can only be income from operating this business,
5 i.e., proceeds from the sale of Inventory.

A state's Uniform Commercial Code is a determinative factor of whether a security interest in proceeds survives the filing of bankruptcy. (*In re Skagit Pac. Corp.*, 316 B.R. 330, 337 (B.A.P. 9th Cir. 2004)). Under California law, a security interest follows the proceeds from sale of the security. Calif. *Commercial Code*, §9315 provides in pertinent part:

“(a) Except as otherwise provided in this division and in subdivision (2) of Section 2403, both of the following apply:

6 (1) A security interest or agricultural lien continues in collateral
7 notwithstanding sale, lease, license, exchange, or other disposition
8 thereof unless the secured party authorized the disposition free of the
security interest or agricultural lien.

(2) A security interest attaches to any identifiable proceeds of collateral."

Likewise in Bankruptcy Court, if a debtor sells property subject to a lien, the lien typically attaches to the proceeds of the sale. This principle is well-established under the Bankruptcy Code, specifically under 11 U.S.C. §363(f), which allows the sale of estate property free and clear of liens, with such liens attaching to the proceeds of the sale. (*In re Groves*, 652 B.R. 104, 114 (B.A.P.

1 9th Cir. 2023), aff'd and remanded, No. 23-60040, 2024 WL 3041548 (9th Cir.
2 June 18, 2024))

3
4 Here, where the only source of debtor's plan payments was the proceeds from
5 sale of the collateral, these funds may be traced to the original collateral.
6 Hence, the security interest has always been attached to the funds held by the
7 Court.

8
9 **C. Creditor Placerville Has Not Been Paid Since January 2023**

10 . No funds have been paid to Placerville since January 2023 (Decl. Gupta, ¶ 8),
11 and interest accrues at 10% under California Law. Placerville's amended Proof
12 of Claim filed in January 2024, shows a secured debt of \$304,310.34

13
14 **D. Conclusion**

15 Placerville prays that the Court instructs the Clerk to pay funds over to the
16 creditor.

17
18 Dated: December 12, 2024

19
20 **/S/ JAMES J. FALCONE**
21 Attorney for
22 Placerville Investment Group LLC

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